

OVERVIEW

This *School Guide* gives you simple answers to your questions about how to administer the William D. Ford Federal Direct Loan Program (Direct Loans) and describes how to access the additional resources available to you. The guide includes reference information about other Direct Loan Program participants so that you can contact administrators at similar types of schools to gather information on your implementation strategies.

The *School Guide* is organized into chapters that address aspects of the Direct Loan Program affecting school functions. Some chapters deal with more than one function, as some tasks are interrelated.

Chapter 1: Direct Loan Participation describes general participation and origination criteria. Consortia, considerations for changing the percentage of participation and type of origination, and withdrawal procedures are also discussed.

Chapter 2: Electronic Resources describes the electronic support the Department provides, including information on EDE, EDEExpress, and the Direct Loan software. Reference telephone numbers are provided.

Chapter 3: Information and Counseling for Borrowers provides information and guidance to assist you in disseminating information to Direct Loan borrowers and other students interested in attending your school.

Chapter 4: Getting Started: Establishing Direct Loan Eligibility provides information on the student application process, determination of loan amounts, and loan monitoring. The Federal Direct PLUS Loan credit check process is also covered.

Chapter 5: Origination Records and Promissory Notes explains the process for creating these records and documents and transmitting them to the Direct Loan Servicing Center (Servicing Center) for action. The timing for submitting these items and the assistance the Direct Loan software can provide are also discussed.

Chapter 6: Receiving and Disbursing Funds describes the procedures and timing for making Direct Loan fund requests for Option 1, Option 2, and Standard Origination schools. Disbursing funds and reporting disbursements are also included.

Chapter 7: Cash Management and Data Matching (Reconciliation) covers the process of accounting for Direct Loan funds. School actions and Servicing Center responses are described.

Chapter 8: Certifying Borrower Enrollment has been removed. Information on confirming a student's enrollment status through the Student Status Confirmation Report (SSCR) process is being revised and will be issued under separate cover.

Chapter 9: Direct Loan Servicing Center Response and Support covers issues related to origination and servicing activities and problem resolution.

Chapter 10: Quality Assurance provides basic information about the Direct Loan Quality Assurance Program.

Each chapter begins with a list of essential questions related to the chapter's contents. These are questions you and your colleagues may have asked about the Direct Loan Program. Answers to the questions are provided throughout the narrative.

Charts are included to help you visualize procedures and choose the best option for creating a simple process and a flexible system for your borrowers and school.

Records management principles have been incorporated throughout the *School Guide*, where appropriate, rather than designating a specific chapter on this topic.

A body of reference information is incorporated as appendices at the end of the *School Guide*. This information includes a list of Direct Loan regulatory citations and available Department publications.

The *School Guide* also contains the following:

- ❖ reference contact numbers for the Department, including the Direct Loan Servicing Center, the Regional Direct Loan Account Manager staff, the Central Processing System, and Title IV Wide Area Network
- ❖ samples of school and borrower forms such as promissory notes, borrower's rights and responsibilities information, and promissory note manifests
- ❖ samples of Servicing Center communications to borrowers
- ❖ an explanation of the Direct PLUS Loan credit check process

Program Provisions

Direct lending includes the concepts of direct financing, direct delivery, and direct communications. The federal government, rather than financial institutions, provides the loan capital for Direct Loans. Participating schools, acting on behalf of the government, deliver loan funds to student and parent borrowers. Schools do not service and collect Direct Loan repayments; the Direct Loan Servicing Center handles these functions.

School Functions

Participating schools perform a variety of functions under the Direct Loan Program:

- ❖ determine borrower eligibility and loan amounts
- ❖ create loan origination records
- ❖ provide entrance and exit counseling
- ❖ obtain promissory notes/disclosures (Option 1 and 2 schools only)
- ❖ convey records, including corrected loan record data, to the Direct Loan Servicing Center
- ❖ request (Option 2 schools only) and receive funds
- ❖ disburse funds
- ❖ report disbursements
- ❖ account for funds received and disbursed
- ❖ reconcile funds and loan records
- ❖ return excess cash and processing cancellations or adjustments

Many of these tasks should be familiar to you because they are required under the Title IV student financial aid programs (including the Federal Family Education Loan [FFEL] Program). The *School Guide* includes practical information on handling these functions.